



The UK £1.25bn package for start-ups and scale-up – thoughts and report of the discussion from Barclays Eagle Lab webinar

Barclays' Eagle Labs hosted a webinar today to discuss the latest round of support for Government, all of which is focused on supporting innovation-based, high-growth companies. This can also be interpreted as technology, research and development phase companies, pre-revenue and risk-capital backed companies. This note captures key points from the discussion and highlights some issues, particular in relation to the recently announced Future Fund.

The webinar was hosted by Ben Davey, CEO of Barclays Ventures, and was moderated by Benjamin Storey from Barclays Eagle Labs team. The panel consisted of Ian Campbell, Executive Chair of Innovate UK; Irene Graham, CEO of the ScaleUp Institute; John Spindler, CEO of Capital Enterprise and Juliet Rogan, National Head of High-growth & Entrepreneurs, Barclays.

KEY TAKE-AWAYS FROM THE WEBINAR

- Lots of new support available from **Innovate UK**, including for companies that have not previously received support.
- Keep checking Innovate UK's website – everything will be posted there, along with how to apply
- There is lots of other support available – check out your local Growth Hub, Innovate UK's Enterprise Europe network, Barclays Eagle Labs Hub and professional services firms – updates and details are regularly being posted.
- There is still much detail on the **Future Fund** to be worked out – with an expectation of more detail next week.
- The need for match funding AND for companies to have already received at least £250k of investment will be a big barrier for many younger, early-stage firms
- It is not clear how the Future Fund will work alongside Angel investment

Support from Innovate UK

Ian Campbell discussed the programme of support that is being put into place through Government, which will be delivered by **Innovate UK**. £750m of funding is being made available. This will be divided into:



- **£200m** to provide additional support to companies that are already recipients of Innovate UK support, through their grant and loan schemes. This money will be used to bring forward grant and loan payments, which are typically paid in arrears.
- **~ £210m**, which will be available for new companies, i.e. companies that are not already in receipt of Innovate UK support
- **£340m** for new loans and grants

There are around 5,000 high-growth companies that are already working with Innovate UK in some capacity and there are currently around 3,000 companies that are in receipt of Innovate UK grants. These are the companies that will be targeted with the £200m of additional support money. When asked whether Innovate UK will reach out to companies, or whether it was for individual companies to contact Innovate UK, Ian indicated that it would be a combination of the two. Many companies are already getting in touch, but Innovate UK would be reaching out too. He asked companies to be patient – Innovate UK will be reaching out.

The new “customer” grants (the pool of £210m) will be able to make grants of up-to £175k each. This is open to companies large and small, all sectors and for companies also developing new business models in response to the Covid-19 situation. Ian stressed that this scheme will be operating at pace. It will not be the usual process, which is typically a 12-week application period, followed by 12 weeks’ of assessment and decision making. He stated that applications would be turned round in a month.

In responding to a question about multiple grant applications, Ian was clear that it is already possible for a company to be in receipt of more than one Innovate UK grant. However, we stressed that each application needed to be different and for a different activity/issue. This particularly applies to current grant holders who may be looking to access the £300m of new funding that will be available.

Ian recommended that companies regularly check Innovate UK’s website, as companies will need to apply for funding. You are recommended to keep checking www.innovateuk.gov.uk/fundingopportunities

Ian was also clear that there is lots of other support available from Innovate UK, including through their network of advisors, the KTN and through their Enterprise Europe network.

The Future Fund

The discussion then turned to the **Future Fund**, which was announced by Chancellor Rishi Sunak on Monday, 20th April. John Spindler from Capital for Enterprise talked to this part of the support package.

As a reminder, the Future Fund, which will be delivered through the **British Business Bank**, is a new form of bridging mechanism that will operate through convertible loans, matched by investors. The scheme was announced on 20th April but will not be launched until May. It was clear from John’s comments that it is still a work in progress as a policy-intervention and that he expected more detail to be worked out and communicated next week.



He acknowledged that as it stands, the Future Fund is tailored more to mature growth companies. Given that there is a requirement that companies have already received investment (at least £250k in seed investment) it is not directed at early-stage companies. He acknowledged that the 'match funding' element may be a problem. From his comments it would appear that the scheme is most likely to appeal to, and be taken up by, companies in the series A to B stage of investment. John was of the view that there was no evidence that companies looking for C round investment and above (multi-million-pound investments, with a strong base of supportive investors) would have any problems in raising funding through traditional routes. He did acknowledge that the biggest problems are likely to fall to companies that are in the early stage of attracting investment (seed investment). An issue that is very much on Advanced Oxford's mind is how the Future Fund will work for angel investors – a key source of early stage funding for innovative companies. When asked this question during the webinar, John acknowledged that this was a key question. There was some discussion as to how the scheme would sit alongside SEIS and EIS too – Advanced Oxford didn't hear the answer to this, but this is a key question in terms of earlier-stage investment.

A useful clarification came from John in response to a question, asked by a member of the audience and that related to the nature of the match from investors. Could it be any form of investment, or did it have to be a convertible loan too? John was clear, any match needs to be on the same terms as the convertible loan from the British Business Bank.

Juliet Rogan from Barclays noted in her comments that innovative, high-growth companies have a different profile to companies that can access other loan schemes, announced earlier on in the crisis by Government and delivered through retail banks. As these loan schemes look at affordability and state-aid rules, it makes them unsuitable for risk-capital backed, pre-revenue companies. One audience member asked about state aid rules and the extent to which they had been removed temporarily by the EU. Ian Campbell noted that many rules had been relaxed, but not all, due to the Covid-19 pandemic. He said that they were trying to be creative, but they still had to be compliant.

Looking forward, Irene Graham said that there was a real need to continue to invest in the infrastructure to support growth companies. She highlighted the fact that the UK has a great and vibrant start-up culture and system, but the UK had not been great at turning these start-ups into growing, thriving, scale-up companies. She was clear that many of our exciting, young companies were going to need to accelerate their growth to help the economy move into a recovery phase. She called for further investment to support this and noted how important Innovate UK is in supporting this work. She also called for the acceleration of other measures needed, particularly action on growth and patient capital for the long term.

Everyone noted the need for all interventions and support to support diversity, in terms of companies and founders – the example was the need to continue to support female founders – and to ensure that all regions of the UK benefitted from these schemes.

Advanced Oxford's views

Data that we have collected during the lock-down shows that investment and cash-flow are critical issues for innovation-based companies. While some Government interventions, like the jobs



retention scheme are suitable for innovation-based companies, others, in particular the loan schemes are not relevant. The package of measures to support innovative companies through Innovate UK is very welcome.

Since the announcement of the Future Fund on 20th April, Advanced Oxford and one of our members – Oxford Innovation, alongside Oxford Investment Opportunities Network (OION) – have been assessing the Future Fund, based on the information available to date. Here are our views:

- The Future Fund is unlikely to help pre-institutional investor backed companies
- It will be very unlikely to help early-stage companies and will certainly not help seed-level companies
- Convertible loans suit institutions, not individuals
- The fund will not incentivise or encourage early-stage, angel investment
- It will help institutional funds to make their money go further
- It will provide useful bridging for some larger, high growth companies
- Companies will need (an) anchor investor/s who agree(s) and who is/are happy to help support the bridging, using the same terms; this requires deep and well-established relationships with investors
- The Future Fund is unlikely to work for companies who are at transition points, e.g. moving from angel to VC funding, raising a substantial amount of new money with new investors.
- Something else is going to be needed to encourage angels to invest, for example, an extension of co-investment funds and other de-risking incentives

Barclays Eagle Labs are running regular webinars on issues relating to access to finance and the current Covid-19 situation – more details can be found at <https://labs.uk.barclays/> and you can view their twitter feed for further details of the discussion from their webinar @eagle_labs They received many questions during the webinar, many of which could not be answered, but more information is likely to be posted onto their website in the following days.

Advanced Oxford is currently collecting data from innovation-based companies on the impacts of Covid-19. To contribute your insights, or to find out more, please go to our website <https://www.advancedoxford.com/latest-research/> or directly to complete the survey <https://www.surveymonkey.co.uk/r/D73XTBS>

If you would like to contact Advanced Oxford to discuss the Future Fund, please contact Sarah Haywood, sarah@advancedoxford.com